

Message Text

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EXDIS

EO 11652: GDS

TAGS: PINR, PQ, PN, CI

SUBJECT: SNIE ON PANAMA

REF: STATE 071284

1. PANAMA CANAL IS OF CONSIDERABLE ECONOMIC IMPORTANCE TO CHILE, WHICH IS OF COURSE INTERESTED IN SEEING CANAL CONTINUE TO FUNCTION EFFICIENTLY AND WITH REASONABLE TOLLS. CHILE IS FAR OUT ON END OF TRADE ROUTES, AND SIGNIFICANTLY INCREASED TOLLS OR CLOSING OF CANAL FOR ANY REASON WOULD HURT. WE BELIEVE GOC IS BASICALLY UNCONCERNED WITH POLITICAL STATUS OF CANAL AS LONG AS ECONOMIC STATUS QUO CONTINUES. GOC WILL PREFER TO AVOID INVOLVEMENT IN POLITICAL QUESTION.
2. SCENARIO A: IF TREATY IS SIGNED AND BOTH SIDES BEGIN RATIFICATION PROCESS, GOC INTEREST WILL FOCUS ON SUBSTANCE OF TREATY. IF IT APPEARS SOUND AND INSURES REASONABLE POLITICAL STABILITY WITH NO GREAT INCREASES IN TOLLS, GOC WILL HAVE LITTLE TO SAY, WILL BE CONTENT TO SEE US-LA POINT OF TENSION REMOVED, AND WILL APPLAUD TREATY.
3. SCENARIO B: IF TREATY SIGNED BUT US SENATE BALKS, GOC RESPONSE WILL AGAIN BE INFLUENCED BY SUBSTANCE OF TREATY. IF TREATY APPEARS TO GOC TO SET UP FUTURE INSTABILITY UNDER PANAMANIAN CONTROL OR PERMIT EXORBITANT TOLLS, GOC WILL

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EXPRESS UNHAPPINESS TO BOTH SIDES AS DIPLOMATICALLY AS

POSSIBLE. IT WILL BE IN UNHAPPY POSITION OF NEEDING TO SHOW SOLIDARITY WITH OTHER LA'S ON BEHALF OF PANAMA, BUT EQUALLY WORRIED ABOUT CONTROL OF CANAL PASSING OUT OF STRONG US HANDS. IF TREATY IS REASONABLE ONE WHICH APPEARS TO SAFEGUARD CHILEAN INTERESTS, GOC MIGHT WEIGH IN WITH QUIET DIPLOMACY URGING US TO RATIFY, WHILE RELUCTANTLY ADDING VOICE TO ANY LA CONSENSUS ON SUBJECT IF NECESSARY TO AVOID ISOLATION. WE WOULD NOT RPT NOT SEE DANGER OF ANTI-US MANIFESTATIONS, ECONOMIC REPRISALS, ETC. GOC COULD MOST LIKELY KEEP LOWEST PROFILE POSSIBLE IN INTERNATIONAL ORGANIZATION DEBATES ON SUBJECT.

4. SCENARIO C: IF NEGOTIATORS CANNOT AGREE AND TALKS BREAK DOWN GOC WILL BE REDUCED TO IMPOTENT HAND-WRINGING. ON ASSUMPTION THAT SUCH A SITUATION WOULD BE SIGNAL FOR NOT ONLY POLITICAL DISTURBANCES OF ONE SORT OR ANOTHER IN PANAMA AND IN CANAL ZONE, POSSIBLY AFFECTING FUNCTIONING OF CANAL, BUT ALSO FOR CONSIDERABLE UPROAR IN HEMISPHERE AFFAIRS, GOC WOULD HOPE NOT TO BE DRAWN INTO US-LA CONFRONTATION. IF TAKING A PUBLIC POSITION BECAME UNAVOIDABLE, GOC WOULD PROBABLY JOIN REST OF LA IN PRESSURING US; CHILE COULD HARDLY AFFORD TO DO OTHERWISE. BUT WE WOULD EXPECT THIS TO BE LIMITED TO THE REGIONAL FORA, AND TO TALK, NOT ACTION. GOC WOULD TRY TO INFLUENCE BOTH US AND PANAMA TO GO BACK TO NEGOTIATING TABLE. US BILATERAL RELATIONS WITH CHILE WOULD BE AFFECTED ONLY IF US POSITION CLEARLY WERE UNREASONABLE, AND EVEN THEN WE WOULD EXPECT GOC EFFORTS TO BE LIMITED TO DIPLOMATIC PRESSURE. GOC WOULD BE UNDER PRESSURE TO JOIN ANY MULTILATERAL GROUP EXCLUDING US.
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